

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1693

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS. 4/30/76

TAGS: EAID, EFIN

SUBJECT: ADB PROPOSED PARTICIPATION IN FIANANCING OF
INTERNATIONAL SCHOOL DEVELOPMENT PROGRAM

REFS: (A) MANILA 0374, (B) TREASURY 76-6

1. AT MEETING 27 JANUARY, ADB BOARD OF DIRECTORS APPROVED
BANK PROPOSED PARTICIPATION IN FIANCING OF INTERNATIONAL
SCHOOL (IS) DEVELOPMENT PROGRAM SUBJECT TO THREE CONDITIONS.
THERE WERE (A) BANK REVIEW OF SCHOOL'S FINANCIAL PERFORM-
ANCE BY EXAMINING REPORTS OF SCHOOL'S EXTERNAL AUDITOR;
(B) REVIEW OF BANK'S EDUCATIONAL GRANT POLICY CONCURRENT
WITH ANNUAL SALARY REVIEW IN AUGUST; AND (C) REVISIONS
IN PARAGRAPH 16, ADB DOCUMENT R63-75 DATED 4 JULY 1975
CONCERNING DESCRIPTION OF CONSTITUTIONAL ISSUE OF LAND
OWNERSHIP AND EXPLANATION OF PRESIDENTIAL DECREE 732,
JUNE 19, 1975 WHICH GRANTS IS A RENT-FREE 25-YEAR LEASE
OF LAND AND OPTION FOR AN ADDITIONAL 25 YEARS IN RETURN
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FOR DONATION OF IS LAND TO PHILIPPINE GOVT. ALL

DIRECTORS WHO SPOKE RECOGNIZED NECESSITY FOR BANK TO SUPPORT THE INTERNATIONAL SCHOOL TO PROVIDE SUITABLE EDUCATIONAL FACILITIES FOR CHILDREN OF BANK STAFF MEMBERS. IN CONSEQUENCE DISCUSSION FOCUSED ON COSTS TO BANK AND TO ADB PARENTS AND ON METHODS TO IMPROVE IS FINANCIAL PERFORMANCE.

2. U.S. DIRECTOR, IN SUPPORTING PROPOSAL, REQUESTED EXPLANATION OF POINTS RAISED IN REFTEL B, ESPECIALLY CALCULATION OF NET COST TO ADB AND BUDGETARY IMPLICATIONS SINCE THERE WAS MENTION OF A SUPPLEMENTARY BUDGET REQUEST AND USE OF CONTINGENCY FUNDS. ADB PRESIDENT EXPLAINED THAT HE HOPED A 1976 SUPPLEMENTARY BUDGET REQUEST WOULD NOT BE NECESSARY. THIS WOULD DEPEND ON WHETHER THERE WOULD BE SUFFICIENT FUNDS LEFT IN CONTINGENCY FUNDS AFTER ACCOMMODATING POSSIBILITY OF COST OF LIVING SALARY INCREASES IN AUGUST. SINCE INFLATIONARY PRESSURES NOW APPEAR TO BE ABATING, ADB PRESIDENT HOPED THAT BOTH THE SALARY INCREASE AND PURCHASE OF CAPITAL NOTES CAN BE ACCOMMODATED BY 1976 CONTINGENCY FUNDS.

3. ON NET COST COMPUTATION, ADB PRESIDENT AGREED THAT ESTIMATED ANNUAL NET BUDGETARY COST TO BANK OF PURCHASING CAPITAL NOTES AND REIMBURSING 75 PERCENT OF DEVELOPMENT FEE WOULD BE \$22,000 PER YEAR, ASSUMING 300 PUPILS AND CURRENT EXCHANGE RATE OF P7.5 PER U.S. DOLLAR. SULLIVAN

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